



# FINANCE SERVICES LTD.

UNAUDITED FINANCIAL STATEMENTS

2<sup>ND</sup> QUARTER ENDED JUNE 30, 2019



**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
SIX MONTHS ENDED JUNE 30, 2019**

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**ISP FINANCE SERVICES LIMITED  
UNAUDITED FINANCIAL STATEMENTS  
SIX MONTHS ENDED JUNE 30, 2019**

**DIRECTORS' REPORT TO STOCKHOLDERS**

The Board of Directors of ISP Finance Services Limited (ISP) is pleased to present the Company's unaudited financial results for the 2<sup>nd</sup> Quarter ended June 30, 2019.

The Company's operating income increased by 26.9% or \$18.6 million to \$87.9 million in the reporting period over the corresponding second quarter in 2018.

The Company's net profit for the 2<sup>nd</sup> Quarter of 2019 was \$12.7 million, an increase of \$2.3 million over the same period last year or an increase of 22.0%.

Earnings per share stood at \$0.273 at the end of the 2<sup>nd</sup> Quarter of 2019 compared to \$0.186 at the end of the 2<sup>nd</sup> Quarter of 2018 reflecting an improvement of 46.8%.

The total assets of the Company grew by \$124.9 million to \$652.7 million which represents a 23.7% increase over the comparative period. The growth was attributable to the Company's loan portfolio which increased by 24.6% over the review period moving to \$592.2 million at June 30, 2019 from \$475.3 million at the end of June 30, 2018.

Operating expenses for the 2<sup>nd</sup> Quarter ended June 30, 2019 amounted to \$75.3 million, an increase of 27.7% or \$16.3 million over the corresponding period in 2018 of \$58.9 million. The Company has maintained its cost of operations while meeting greater customer demands. The newly established customer sales contact center is contributing to the business development thrust aggressively promoting the Company's most recent back-to-school loan initiative.

The Company would like to thank all our members of staff for their commitment, our customers for their loyalty and our shareholders for their continued show of confidence.

A blue ink signature of Clifton Cameron, consisting of a large, stylized 'C' and 'A'.

**Clifton Cameron**  
Chairman

A black ink signature of Dennis Smith, consisting of a large, stylized 'D' and 'S'.

**Dennis Smith**  
Chief Executive Officer



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**SIX MONTHS ENDED JUNE 30, 2019**

	Unaudited Three Months Ended June 30, 2019 \$	Unaudited Three Months Ended June 30, 2018 \$	Unaudited Six Months Ended June 30, 2019 \$	Unaudited Six Months Ended June 30, 2018 \$	Audited Twelve Months Ended December 31, 2018 \$
<b>OPERATING INCOME</b>					
Interest income from loans	95,795,481	73,582,976	182,020,035	143,958,875	306,187,068
Interest income from banks and other receivables	174	88,111	174	174,296	380,677
Total interest income	<u>95,795,655</u>	<u>73,671,087</u>	<u>182,020,209</u>	<u>144,133,171</u>	<u>306,567,745</u>
Interest expenses	7,548,396	5,590,356	15,137,018	11,220,881	24,579,008
Net interest income	<u>88,247,259</u>	<u>68,080,731</u>	<u>166,883,191</u>	<u>132,912,290</u>	<u>281,988,737</u>
Commission expenses on loans	<u>(410,978)</u>	<u>(454,978)</u>	<u>(1,106,630)</u>	<u>(1,421,954)</u>	<u>(3,400,436)</u>
	87,836,281	67,625,753	165,776,561	131,490,336	278,588,301
Other operating income					
Foreign exchange gain /(loss)	94,109	(71,020)	94,109	70,206	523,116
Service fees	-	1,747,500	-	1,747,500	1,852,073
Other income	450	134	1,100	484	131,608
	<u>94,559</u>	<u>1,676,614</u>	<u>95,209</u>	<u>1,818,190</u>	<u>2,506,797</u>
	<u>87,930,840</u>	<u>69,302,367</u>	<u>165,871,770</u>	<u>133,308,526</u>	<u>281,095,098</u>
<b>OPERATING EXPENSES</b>					
Staff costs	33,369,262	29,275,764	65,097,707	56,431,523	114,105,359
Allowance for credit losses	18,996,143	7,435,376	26,996,143	14,935,376	35,758,568
Depreciation expense	1,290,678	1,534,500	2,597,068	2,930,770	5,404,922
Other operating expenses	21,620,800	20,682,266	42,541,358	39,483,746	79,673,688
	<u>75,276,883</u>	<u>58,927,906</u>	<u>137,232,276</u>	<u>113,781,415</u>	<u>234,942,537</u>
<b>Profit before taxation</b>	12,653,957	10,374,461	28,639,494	19,527,111	46,152,561
<b>Taxation charge</b>	-	-	-	-	2,527,137
<b>Net profit</b>	<u>12,653,957</u>	<u>10,374,461</u>	<u>28,639,494</u>	<u>19,527,111</u>	<u>43,625,424</u>
<b>Other comprehensive income that may be reclassified to profit and loss</b>					
Revaluation of property, plant and equipment	-	-	-	-	666,815
<b>Total comprehensive income for the year</b>	<u>12,653,957</u>	<u>10,374,461</u>	<u>28,639,494</u>	<u>19,527,111</u>	<u>44,292,239</u>
Earnings per share (\$)	<u>0.121</u>	<u>0.099</u>	<u>0.273</u>	<u>0.186</u>	<u>0.420</u>






**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF FINANCIAL POSITION**  
**SIX MONTHS ENDED JUNE 30, 2019**

	<b>Unaudited Six Months Ended June 30, 2019 \$</b>	<b>Unaudited Six Months Ended June 30, 2018 \$</b>	<b>Audited Twelve Months December 31, 2018 \$</b>
<b>ASSETS</b>			
Cash and cash equivalents	9,792,929	4,508,544	16,483,905
Loans net of provisions for credit losses	592,165,954	475,278,450	551,096,009
Other receivables	12,884,023	20,943,057	13,007,626
Deposit	496,600	395,000	395,000
Due from related party	5,017,700	5,017,700	5,017,700
Due from director	6,848,039	-	1,032,379
Deferred tax assets	-	1,571,369	-
Property, plant and equipment	25,517,274	20,070,972	25,510,218
<b>TOTAL ASSETS</b>	<b><u>652,722,519</u></b>	<b><u>527,785,092</u></b>	<b><u>612,542,837</u></b>
 <b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES :</b>			
Accounts payable and other liabilities	30,767,729	16,972,581	17,572,347
Secured corporate bond and promissory note	221,744,208	145,399,461	219,384,953
Notes payable	50,283,731	59,616,382	54,298,181
Deferred tax liabilities	895,768	-	895,768
	303,691,436	221,988,424	292,151,249
<b>EQUITY</b>			
Share capital	195,903,128	195,903,128	195,903,128
Revaluation surplus	11,052,413	10,385,598	11,052,413
Accumulated surplus	142,075,542	99,507,942	113,436,047
	349,031,083	305,796,668	320,391,588
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>652,722,519</u></b>	<b><u>527,785,092</u></b>	<b><u>612,542,837</u></b>


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**Clifton Cameron**  
 Chairman


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**Dennis Smith**  
 Chief Executive Officer



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**SIX MONTHS ENDED JUNE 30, 2019**

	<b>Share Capital</b>	<b>Revaluation Surplus</b>	<b>Accumulated Surplus</b>	<b>Total</b>
	\$	\$	\$	\$
Balance as at December 31, 2018	195,903,128	11,052,413	113,436,047	320,391,588
<b>Other comprehensive income</b>				
Net profit for the period	-	-	28,639,494	28,639,494
Total comprehensive income	-	-	28,639,494	28,639,494
<b>Balance as at June 30, 2019</b>	<b>195,903,128</b>	<b>11,052,413</b>	<b>142,075,541</b>	<b>349,031,082</b>
Balance as at December 31, 2017	195,903,128	10,385,598	79,980,831	286,269,557
<b>Other comprehensive income</b>				
Net profit for the period	-	-	19,527,111	19,527,111
Total comprehensive income	-	-	19,527,111	19,527,111
<b>Balance as at June 30, 2018</b>	<b>195,903,128</b>	<b>10,385,598</b>	<b>99,507,942</b>	<b>305,796,668</b>



**ISP FINANCE SERVICES LIMITED**  
**UNAUDITED STATEMENT OF CASH FLOWS**  
**SIX MONTHS ENDED JUNE 30, 2019**

	Unaudited Six Months Ended June 30, 2019 \$	Unaudited Six Months Ended June 30, 2018 \$	Audited Twelve Months Ended December 31, 2018 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before interest and taxation	43,776,512	30,747,992	68,264,432
Adjustments for items not affecting cash resources:			
Depreciation on property, plant and equipment	2,597,068	2,930,770	5,404,922
Loss on sale of fixed assets	-	-	-
Unrealized foreign exchange gain	(94,109)	(70,206)	(523,116)
Bond amortization	2,359,257	1,840,215	3,939,950
Deferred taxation	-	-	2,467,137
	<u>48,638,728</u>	<u>35,448,771</u>	<u>79,553,325</u>
(Increase) /decrease in operating assets:			
Loans and other receivables	(40,852,235)	(47,687,340)	(124,994,766)
Deposit	(101,600)	(20,000)	20,000
Due from related party	-	1,255,500	(1,255,500)
Due from director	(5,815,660)	1,500,000	(467,621)
Increase /(decrease) in operating liabilities:			
Accounts payables and other payables	11,020,030	3,070,953	3,148,763
Cash provided by/(used in) operating activities	<u>12,889,263</u>	<u>(6,432,116)</u>	<u>(43,995,799)</u>
Interest paid	(12,961,666)	(11,742,837)	(24,579,008)
Taxation paid	-	-	(60,000)
Net cash used in operating activities	<u>(72,403)</u>	<u>(18,174,953)</u>	<u>(68,634,807)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	(2,604,123)	(4,930,443)	(12,177,027)
Proceeds from the sale of property, plant and equipment	-	-	-
Net cash used in investing activities	<u>(2,604,123)</u>	<u>(4,930,443)</u>	<u>(12,177,027)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from the secured promissory note	-	-	75,000,000
Repayment of notes payable	(4,014,450)	(3,823,050)	(9,141,251)
Net cash used in financing activities	<u>(4,014,450)</u>	<u>(3,823,050)</u>	<u>65,858,749</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS -	(6,690,976)	(26,928,446)	(14,953,085)
CASH AND CASH EQUIVALENTS -Beginning of the year	<u>16,483,905</u>	<u>31,436,990</u>	<u>31,436,990</u>
CASH AND CASH EQUIVALENTS - End of the quarter	<u>9,792,929</u>	<u>4,508,544</u>	<u>16,483,905</u>
REPRESENTED BY:			
Cash and cash equivalents	<u>9,792,929</u>	<u>4,508,544</u>	<u>16,483,905</u>





# ISP FINANCE SERVICES LIMITED

## NOTES TO THE UNAUDITED FINANCIAL STATEMENTS

### SIX MONTHS ENDED JUNE 30, 2019

#### **1. IDENTIFICATION**

ISP Finance Services Limited (the "Company") is incorporated in Jamaica under the Jamaican Companies Act (the Act).

On March 30, 2016, ISP Finance Services Limited became a public listed entity on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income taxes for the first five (5) years and fifty percent (50%) remission for the following 5 years providing it complies with the requirements of the Jamaica Stock Exchange Junior Market.

The Company is domiciled in Jamaica, with its registered office at 17 Phoenix Avenue, Kingston 10.

The principal activity of the Company is the granting of commercial loans and personal short term loans.

#### **2. BASIS OF PREPARATION**

The interim financial statements have been prepared in accordance with IAS 34, 'Interim financial reporting' and should be read in conjunction with the Company's audited financial statements for the year ended 31 December 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Act. There have been no changes in accounting policies since the most recent audited accounts as at December 31, 2018.

The financial Statements have been prepared under the historical cost basis and are expressed in Jamaican dollars, un-less otherwise indicated.

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Property, plant and equipment**

All property, plant and equipment held for use in the production or supply of goods or services, or for administrative purposes, except for motor cars which are carried at fair value, are recorded at historical or deemed cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Valuations are performed frequently enough to ensure that the fair value of revalued motor cars does not significantly differ from its carrying amount. The increase of the carrying amount of a motor car as a result of revaluation is credited directly to equity (under the heading "revaluation surplus"). A revaluation decrease should be charged directly against any related revaluation surplus, with any excess being recognized as an expense in the statement of comprehensive income.





**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**a) Property, plant and equipment (Cont'd)**

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the Company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognized in the statement of comprehensive income as incurred. With the exception of freehold land, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets.

The rates of depreciation in use are:

Leasehold Improvements	20%
Furniture and Equipment	10%
Computer Software and Equipment	20%
Motor Cars	20%
Motor Bikes	20%

**b) Loans and other receivables**

**Loans**

Loans are carried at original contract amounts less provisions made for doubtful amounts and impairment, based on a review of all outstanding amounts at the year end.

**Other receivables**

Other receivables are carried at amortized cost less provisions for doubtful amounts and impairment losses.

**Allowance for impairment losses on loan receivables**

In determining amounts recorded for impairment of financial assets in the financial statements, management makes assumptions in determining the inputs to be used in the ECL measurement model, including incorporation of forward-looking information. Management also estimate the likely amount of cash flows recoverable on the financial assets in determining loss given default. The use of assumptions makes uncertainly inherent in such estimates.

Under the ECL model, the Company analyses its loan receivables in a matrix by days past due and determined for each age bracket an average rate of ECL. Subsequently, a further analysis is considered on the actual credit loss experienced over the last twelve (12) months and future delinquency is assessed, which is then applied to the balance of the loan receivables..

Bad debts are written off when identified.



**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2019**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**c) Income**

Interest income is recognized on the accrual basis, by reference to the principal outstanding and the interest rate applicable. Interest income is calculated on the simple interest basis.

**4. LOANS, NET OF PROVISIONS FOR CREDIT LOSSES**

Loans consist primarily of unsecured notes due from the Company's clients

	<b>Unaudited Six Months Ended June 30, 2019 \$</b>	<b>Unaudited Six Months Ended June 30, 2018 \$</b>	<b>Audited Twelve Months Ended December 31, 2018 \$</b>
Loans	741,448,023	566,782,052	673,354,532
Less:			
Provision for credit losses	<u>(149,282,069)</u>	<u>(91,503,602)</u>	<u>(122,258,523)</u>
	<u>592,165,954</u>	<u>475,278,450</u>	<u>551,096,009</u>

**5. SHARE CAPITAL**

	<b>Unaudited Six Months Ended June 30, 2019 Number (‘000)</b>	<b>Unaudited Six Months Ended June 30, 2018 Number (‘000)</b>	<b>Audited Twelve Months Ended December 31, 2018 Number (‘000)</b>
Authorized share capital:			
Ordinary shares	<u>105,000</u>	<u>105,000</u>	<u>105,000</u>

	<b>Unaudited Six Months Ended June 30, 2019 \$</b>	<b>Unaudited Six Months Ended June 30, 2018 \$</b>	<b>Audited Twelve Months Ended December 31, 2018 \$</b>
Issued and fully paid:			
5,000,000 Ordinary shares at \$1 per share	5,000,000	5,000,000	5,000,000
51,017,500 Ordinary shares at \$2 per share	102,035,000	102,035,000	102,035,000
48,982,500 Ordinary shares at \$2 per share	97,965,000	97,965,000	97,965,000
Less: Share issue costs	<u>(9,096,872)</u>	<u>(9,096,872)</u>	<u>(9,096,872)</u>
	<u>195,903,128</u>	<u>195,903,128</u>	<u>195,903,128</u>



## **ISP FINANCE SERVICES LIMITED**

### **NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**

### **SIX MONTHS ENDED JUNE 30, 2019**

#### **5. SHARE CAPITAL ( CONT'D)**

- (a) On February 11, 2016, by an ordinary resolution, the authorized share capital of the Company was increased from 5,000,000 to 105,000,000 ordinary shares to rank pari passu in all respects with the existing shares of the Company.

On February 11, 2016, 51,017,500 ordinary shares at \$2 per share were issued to the Chief Executive Officer which was satisfied by offsetting against the \$102,035,000 debt owed to him by the Company, through a related entity.

- (b) On March 22, 2016, the Company raised additional capital of \$97,965,000 from its initial public offering of 48,982,500 shares for its enlistment on the Jamaica Stock Exchange Junior Market. Transaction costs of \$9,096,872 were incurred for the initial public offering. All ordinary shares carry the same voting rights.

#### **6. SECURED CORPORATE BOND**

During the year ended December 31, 2016, the Company issued a secured bond. The bond attracts an interest rate of 10% per annum. Interest is paid on a quarterly basis. The bond matures on September 20, 2019. The bond is secured by the fixed and floating assets of the Company.

#### **7. SECURED NOTE**

During the quarter ended December 31, 2018, the Company issued a secured note. The note attracts an interest rate of 12% per annum during the period commencing with the Issue Date to August 2019, and thereafter 13% per annum. Interest is paid on a quarterly basis. The note matures on September 3, 2021. The note is secured by the fixed and floating assets of the Company.

#### **8. TAXATION**

On March 30, 2016, the Company's shares were listed on the Jamaica Stock Exchange Junior Market. Consequently, the Company is entitled to full remission of income tax for the first five (5) years and fifty percent (50%) remission for the following 5 years, providing that the Company adheres to the rules and regulation of the Jamaica Stock Exchange Junior Market.

The interim financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions.





**ISP FINANCE SERVICES LIMITED**  
**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS**  
**SIX MONTHS ENDED JUNE 30, 2019**

**9. EARNINGS PER SHARE**

Earnings per share is computed as the net profit for the year divided by the weighted average number of ordinary shares in issue for the period as at the reporting date.

	<b>Unaudited Three Months Ended June 30, 2019</b>	<b>Unaudited Three Months Ended June 30, 2018</b>	<b>Unaudited Six Months Ended June 30, 2019</b>	<b>Unaudited Six Months Ended June 30, 2018</b>	<b>Audited Twelve Months Ended December 31, 2018</b>
Net profit	\$ 12,653,957	10,374,461	28,639,494	19,527,111	43,625,424
Weighted average number of shares	No. 105,000,000	105,000,000	105,000,000	105,000,000	105,000,000
Earnings per share	\$ 0.121	0.099	0.273	0.186	0.420

**10. PROFIT BEFORE INTEREST AND TAXATION**

	<b>Unaudited Six Months Ended June 30, 2019</b>	<b>Unaudited Six Months Ended June 30, 2018</b>	<b>Audited Twelve Months Ended December 31, 2018</b>
	\$	\$	\$
Net profit for the period	28,639,494	19,527,111	43,625,424
Current year taxation charge	-	-	60,000
Profit before interest	28,639,494	19,527,111	43,685,424
Interest expense	15,137,018	11,220,881	24,579,008
Profit before interest and taxation	43,776,512	30,747,992	68,264,432



**ISP FINANCE SERVICES LIMITED**  
**SIX MONTHS ENDED JUNE 30, 2019**

**SCHEDULE OF TOP TEN (10) STOCKHOLDERS**

<u>SHAREHOLDER</u>	<u>UNITS</u>
1 Gencorp Limited	50,517,500
2 Sunfisher Corporation	45,832,500
3 Dennis Smith	3,500,000
4 Primrose Smith	1,500,000
5 Rezworth Burchenson - Joint holder -Valerie Burchenson	612,529
6 Carissa Gordon – Joint holder Marston Gordon	367,314
7 Bridgeton Management Services Limited	298,547
8 Virgen Advertising Limited	255,116
9 Lindoll Limited	160,862
10 Ryan Chung -Joint holders – Ruel and Ingrid Chung	87,738

**SCHEDULE OF SHAREHOLDINGS OF DIRECTORS, SENIOR  
MANAGERS AND CONNECTED PARTIES**

<u>Directors</u>	<u>Shareholding</u>
Dennis Smith	3,500,000
Primrose Smith	1,500,000
Diyal R. Fernando	34,350
Rosemary Thwaites	5,000
 <u>Senior Managers</u>	
Seymour Smith	75,000
 <u>Connected Parties</u>	
Gencorp Limited	50,517,500
Sunfisher Corporation	45,832,500